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E.O. 12958, Sec. 3.4

NAID 969012
By ST/PSW Date 4/29/98

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NEA

THE SECRETARY OF STATE
WASHINGTON

May 15, 1972

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MEMORANDUM FOR MR. HENRY A. KISSINGER
THE WHITE HOUSE

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Subject: U.S. Bilateral Assistance - Bangladesh

At the SRG meeting of April 17, you announced that the President wants as much aid for Bangladesh as possible to be bilateral. You asked for a paper considering how our humanitarian aid could be provided in this way.

AID Commitments to Date

PL 480: Since the Indo-Pakistani war we have committed to Bangladesh \$73 million in PL 480 foods through the UN. The food pipeline is presently full, and there is no immediate need for more food commitments.

Dollar Commitments: Since the war we have also obligated \$35.5 million to the UN for relief operations in Bangladesh and \$7.67 million to voluntary agencies (CARE, Catholic Relief Services, International Rescue Committee, Red Cross, and Medical Assistance Programs). These funds are provided out of the \$200 million FY 1972 appropriation for South Asian Relief, of which \$172.3 million was available after the war.

These obligations leave a balance of approximately \$130 million out of the \$200 million appropriation. We would want to obligate a significant part of this balance before the end of this fiscal year. Reconstruction needs are urgent, and we should make commitments early enough to allow work to be organized to begin promptly at the end of the monsoon (October-November). Furthermore, we have made a Congressional record regarding early action, and there is much support for so moving.

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AID (MS)
Bangladesh Desk

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Future Rehabilitation Requirements and Plans for Bilateral Aid

A UN/IBRD/IMF team recently completed a survey of Bangladesh's rehabilitation and reconstruction needs through mid-1973. Their report, which became available last week, indicates non-food requirements totalling \$648 million. Although some of the estimates are preliminary, they suggest areas of activity and orders of magnitude for appropriate U.S. bilateral action.

Within this context we will proceed to initiate a bilateral program of about \$75 million, concentrating in areas where the U.S. Government or particular U.S. contractors have special competence or prior successful experience. Besides providing essential imported commodities, we envisage a substantial effort in the repair and construction of coastal embankments, the rehabilitation of power installations, rebuilding of roads and bridges, and possibly repair and refurbishing of health centers, schools, water systems and other socially important facilities. Attached is a list drawn from the UN/IBRD/IMF report of requirements which are in areas that we believe are most appropriate for consideration for U.S. bilateral action.

An AID team from Washington is now in Dacca, and as a result of their visit we expect to conclude a grant or series of grants which will permit the GOBD to engage the services of selected U.S. contractors to commence work as soon as possible. The grants will necessarily include a substantial local cost component, which is important in creating jobs in a country where a very high percentage of the labor force is out of work. The dollars used to finance local costs under these grants will be available for importing urgently needed commodities for relief and rehabilitation of the economy.

In addition to this bilateral activity, we will reserve \$10 to \$15 million out of the \$200 million appropriation for grants to assist the humanitarian programs of voluntary agencies. We have already received preliminary proposals from certain voluntary agencies (such as the Community Development Foundation and Church World Service) as well as requests for further support from the voluntary agencies that we have already helped.

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This would leave some \$40 to \$45 million out of the FY 72 South Asian Relief Appropriation available for further contributions for relief and rehabilitation in Bangladesh. We would keep this amount available for possible additional support for the relief and logistic activities of UNROD, for reconstruction programs that may be undertaken by the World Bank, or for other bilateral activity. As in the past our grants through the UN would be blended with those of other nations.

Summary

In tabular form, the above commitments and projections would look like this:

(\$ Millions)

PL 480 to date:	500,000 tons	\$73
<u>\$200 Million Appropriation:</u>		
Pre-War	Refugee assistance in India.	\$20
	Humanitarian assistance in E. Pakistan.	\$ 7.7
Post-War to date	UN	\$35.5
	Voluntary agencies	\$ 7.67
Projected	Bilateral grants	\$75
	Voluntary agencies	\$10-15
	UN, IBRD or bilateral	\$40-45

In obligating these funds we will be guided by the President's directive that our contributions and their timing be such as to ensure that we do not ultimately assume more than a one-third share of total international contributions to relief in Bangladesh. To date total commitments to Bangladesh are calculated by the UN to be about \$570 million of which the US share, including PL 480, is \$116 million. In short, we presently are well within the amount we consider to

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be our fair share of the total cost. Also, the UN/IBRD/IMF estimate of \$648 million for rehabilitation needs in Bangladesh is about five times the total of funds remaining available in the FY 1972 special appropriation.


Theodore L. Eliot, Jr.
Executive Secretary

Attachment:

Items from UN/IBRD/IMF Report
for possible USG consideration.

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